

CITIZENS' TASK FORCE ON CHARGERS ISSUES
MINUTES for meeting of
October 24, 2002

Meeting held at:

**Scripps Miramar Ranch Library
10301 Scripps Lake Drive
San Diego, CA 92131**

Mailing address is:

**City of San Diego
Special Projects Administration
1010 Second Ave, Suite 500, MS 658
San Diego, CA 92101**

ATTENDANCE:

Members Present

David E. Watson
Cassandra Clady
Pepper Coffey
Bruce Henderson
Karen Heumann
Bill Largent
Joseph Martinez
Geoff Patnoe
Patti Roscoe
Ron Saathoff
Leonard Simon

Members Absent

Nikki Clay
Tom Fat
Jeff Smith
Tim Considine

Staff Present

Libby Coalson
Bruce Herring
Les Girard
John Mullen
Dan Barrett

CALL TO ORDER

Item 1: Citizens' Task Force on Chargers Issues Meeting called to order at 6:38 p.m. – David Watson, Chairperson

Item 2: Roll Call – Libby Coalson

AGENDA ITEMS

Item 3: Minutes for October 10, 2002 Task Force meeting passed by all present.

Item 4: Chairperson Comments: Chairperson Watson inviting comments and information from Task Force members. Think about the big picture issues as we need to try to get everything together into a final recommendation.

Item 5: Task Force Member Comments:

Henderson - Chargers are having a good season and it is clear there is no problem with the stadium. Ticket guarantee problems start to go away when winning.

Patnoe - shares concerns about how going to get a recommendation for the report. Team winning won't impact the Task Force recommendation.

Item 6: Committee Reports:

Finance – During the Oct 14th meeting, an overview of the NFL Super Bowl Econ Impact report was given by Dan Barrett. Chargers will be providing copies of their financial information this week. Next meeting is Oct 28th. Mr. Barrett is preparing an econ/financial analysis of the Chargers and committee will be able to comment on the methodology to be used for the study. City of Carlsbad will present on the Infrastructure Financing District funding mechanism used for Legoland. Will review the financial information provided by the Chargers. Mr. Barrett has received other NFL information regarding franchise operations and will be summarizing for the Finance Committee in the next few weeks.

Watson - reminder to Finance Committee to analyze the possibility of regional financing options.

Henderson – Provided an article and a resume from Baade which contains Super Bowleconomic impact information. These studies and methodologies should be considered to provide balance. Thought the NFL Super Bowl Economic Impact study was difficult to understand – did not include direct and indirect costs of City.

Heumann - If any Task Force member has concerns about a committee's work, they should attend those meetings and give input.

Saathoff – Mr. Barrett provided an overview to the committee as the economic impact report is complicated. It did not include any City information and was not intended to.

Facilities & Redevelopment - Met two times, and reviewed the issues of general maintenance and long-term maintenance, which are two different categories. Drainage, exposed re-bar, cracks, settlement are some of the issues. The committee took a hard look at the facility to get an understanding of what's going on.

Mr. Barnhart spoke about back-of-house areas being designed for fewer people than currently seated. Gary Roto spoke about traffic issues. Mr. Cohn spoke about fireworks, and sound, parking, and traffic issues. Linda Kaufman spoke about land issues, site issues, and Mission Parkway Bridge. Tom Sudbury suggested that the committee take a look at other developments around Qualcomm. Frank Belock, City Engineer, spoke about four issues - 1) liquefaction in inner bowl 2) high groundwater 3) construction impacts on Clean Water Act and 4) toxins on north corner. Jim Schmidt presented his proposal to re-orient the field. Committee is working well together.

Henderson – Has the committee contacted Mr. Daly, the architect involved in the renovation? Any plan to get him to speak on the state-of-the-art renovations?

Martinez – We could contact him by phone or mail.

Patnoe – Were there differences seen in the second tour taken by the committee?

Martinez – Committee was interested in the concepts that NBBJ spoke about, the bowl liquefaction issues, and to find out the integrity of the rebar.

Clady – On the second tour, saw that the escalators are original and may need to be replaced.

Coffey – The tour showed the degradation of concrete, cracking, exposed aggregate. Staff maintains it well, but it is old and has had trouble. The facility leaks a lot and the standing water has worn concrete away.

Patnoe – Is the Committee nearing a recommendation?

Martinez - maybe in late November will be ready. Need to learn more about the structural integrity of the steel, and liquefaction impacts. Probably need about a month.

Roscoe - drainage is interesting, in the View section, there is no drainage in many areas. The expansion joints are the drains and the impact of that needs to be considered. Would need to come up with a very tight budget for what a remodel would be. Could be close to a cost of a new stadium and might not be worthwhile.

Henderson - in 97, put \$78m in. Need Mr. Daly to speak about it being state-of-the-art not so long ago.

Watson – Facilities & Redevelopment Committee is conducting due diligence and looking at the right things.

Contracts - Wants to provide a useful report to the City Council before the trigger point hits. Report would be submitted before Dec. 1 including possible actions, remedies, related to the trigger event. The committee report will be on the November 14th task force agenda for a vote. Point is to conduct a common sense but informed discussion re: what the City may or may not do should the Chargers give notice/trigger. Thinks it is important for the Task Force to present information early on this issue only. Contracts committee had requested trigger-related data from Chargers, and appreciates their good faith effort to provide information.

Barrett has been working with Chargers and NFL to confirm the numbers, related to the trigger event, that he has been developing and should be able to report back within next week.

Item 7: Future Meeting agendas

Watson thanks Atlas Hotels for covering the honorariums for the experts, hopefully they will be able to come in Dec or Jan.

Libby to confirm with Mr. Fabiani whether we need to have HOK on the agenda for both November 7 and December 12.

Ms. Roscoe will be out on Dec 12th.

Item 8: Public Comment

John Cheney - There is a link called “related impacts” on the task force web page. Suggest that additional info be in there including the title, authors Professor Baade and Matheson, and date. Baade has an impressive body of work and his credentials are awesome. Would like to have Baade speak - Mr. Cheney would be happy to pay for him if under \$3,000. *(web page updated)*

Stillwell - 7,000 seats issue addressed by Mr. Rider at the previous meeting. Loge seats gone, changed to Club seats - ticket guarantee 60,000 so this means only 53,000 general admission seats available

(this information was misstated; there are still in excess of 60,000 general admission seats in the stadium). Rider had good ideas that TF should consider.

Item 9: Barrett Sports Group

Relocation overview presented.

Relocation policies - No team and no market is sacred. Any franchise has to prove that their viability was threatened to be able to move.

In their lawsuit, the Raiders are trying to convince the NFL that they have rights to the L.A. market, based on events that occurred in 1995.

Legislation to regulate NFL franchises was introduced in 1984/1985 but it failed.

There have to be negotiations with their existing city before the League will consider allowing a team to move. All the rules can be adjusted by the NFL. They vote on them.

Financial performance considers operating losses, not debt. Key issue is the degree to which the interests of the League may be advanced or adversely affected by several issues, but of particular interest are broadcast agreements. Relocation fees have historically been \$20-30m.

Cost to purchase a team varies, but \$400-\$700m is not an unreasonable amount to pay for a team. It is difficult to estimate the expansion fee for a team in L.A. Not sure what the relocation fee would be. Difficult to estimate as it would have to take the NFL's collective interest into account. The t.v. revenue that would be generated could have an effect and keep a relocation fee down. The NFL can interpret and change the process they have developed.

Relocation markets - recent moves of Titans, Rams and Ravens significantly increased their profitability. Narrowed the potential markets to those that have been mentioned or arisen in the past, but really any market is a potential market. Some smaller ones have proven that they can attract a team.

National tv contract is the lifeblood of the NFL. As economy continues to struggle, will be difficult to get as good of deals as have had in past.

Should the Task Force contact other teams to get info from them regarding the state of Qualcomm? *In light of what most of these teams are doing or having done in their current cities, moving to San Diego is unlikely to resolve their issues.*

Item 10: Panel presentation led by Lynn Mulholland

Panelists are Tom Mulaney, Max Schmidt - C3, Glenn Torbett - Sierra Club, Jim Peugh - Sierra Club, Lynn Mulholland – Mission Valley Community Council.

Schmidt – Would like to expand the Task Force's view to consideration of the entire 166 acres of area. Mission Valley is a river valley with regional influence and impact. Currently, there is poor architecture, not taking advantage of the river nearby, little landscape, and the river is not utilized. Panel supports concept of connecting San Diego to the mountains via the river. Have to see the river as an opportunity to create a very environmentally attractive amenity. The river should be the focus of

a major development in the next few years. Need high standards for re-development. Consider the site as part of a renaissance of the entire river. River must be continuous, the corridor must be publicly owned land, and held to higher design standards. Conservation of river more important than adaptive re-use of stadium. The San Diego river is part of what San Diego is.

Lynn Mulholland – Wants to see a balance in habitat destruction, gridlock and density. Traffic has increased immensely in last several years. No park nearby. River walk would be an incomparable jewel. No park in Mission Valley currently. Developing the stadium area would exacerbate the traffic problems. The stadium site would be a wonderful location for habitat appreciation in the flood plain, and a river amenity. There are 15,000 residents in Mission Valley – Mission Valley is built out.

Jim Peugh – We have turned our backs on the river for a long time. Huge parking lot in the middle of a river which doesn't make sense - runoff from vehicles is polluting the river. If the stadium were removed, could restore the river, there are lots of birds. If restored, the water that comes down would have a place to go. There would be an economic premium to restoring the river. The more water is exposed to vegetation, the more the water is cleaned out - bullrush and cattails help with that. Other benefits of restoring the river - fishing, room for paddling, etc. He would like to see a gentle bank along the river so wildlife could escape the rising waters and recreational uses.

If stadium stays, could do a smaller version of same - a restoration area, a river bank, a smaller recreation area and a reduced level of parking. Need to be clever about how people are transported to games.

If consider a new stadium, would like the river to dominate the site rather than the stadium.

Tom Mulaney – Will speak about why parks and open space are so important. Planning helps. Mission Valley is slated for 12,000 more homes in the next 20 years. The area would need 100 acres of parks for this amount of development. City as a whole is slated for 5 acres of community parks per 1000 people and 5 acres of city-wide parks.

4 categories of why parks are important - visual relief, recreation, business retention (quality of life important to attracting and keeping employees), and open space can save \$ for taxpayers (cheaper to acquire and keep as open space vs. developing and putting in the infrastructure required).

Q&A -

Roscoe – Facilities and Redevelopment Committee has received lots of information regarding environmental issues/concerns. The City of Villages presentation talked about what the site could possibly be. Should the Task Force determine to retain the stadium, would welcome a balance of mixed use development, open space, and stadium use.

Henderson - if stadium torn down, what would it cost to restore 140 of those acres as the river park?
Unable to guess at an amount. A lot of the plant life would re-vegetate on its own.

Tank farms are leaking and there is a plume that flows down the river. Several projects are taking place in various areas of the river – Mission Valley preserve, at the west end of the river. Near the Carlton Oaks golf course in Santee too. There are millions of dollars going toward restoration. Have to remove the invasive plants and development and would take time for plants to fill in. Even if the stadium stayed, it would be more attractive to be surrounded by parkland. The money the Chargers cost the City could be used for parkland.

Patnoe - If there were a proposal that included restoring part of the river, a new facility for football, and mixed use retail and housing that is sensitive to density and transportation - is it something the panel and community would be supportive of? *They would have to see the specifics, but commercial businesses and citizens as a whole can benefit by recreation areas. Balance would be something that could be supported.*

Heumann - How much of the current parking lot is needed for ancillary uses and where is the closest MSCP area to stadium? *In the process of getting canyons in Serra Mesa dedicated as open areas, these are closest MSCP lands.*

Stadium has contributed to flooding and this could be reduced. Wants to use the stadium as a reconnection link for MSCP areas – there is an opportunity to recover what we've lost.

Item 11: Public group presentation by Mike Aguirre/Mark Rosentraub

No stadium has been asked to build a new stadium with 25 years left on the outstanding bonds and 18 years left on lease.

Mr. Rosentraub - contract and trigger clause. Based on best info, from the NFL Players Association, the Chargers have been in a position to trigger in the past. Projection is that they will not trigger in 2002. The whole Task Force discussion is predicated on the Chargers being able to leave. Conditions required to trigger have not met.

Rosenraub was retained by Councilmember Frye prior to the Task Force being established to look into this issue of the trigger.

A substantial public contribution has been made. Distinctions between teams are influenced by a number of factors. Building a new stadium could result in the Chargers making less money.

Currently the Chargers gross revenues would put them at about 20th of the teams. Majority of revenue comes from television contract and will affect each team the same way. A higher investment requires that some teams need to have a higher return on investment. In comparison to the initial \$700m investment of the owner of Houston Texans, investment in Chargers would be approximately \$120m. Rosentraub's report shows revenue.

The extent to which revenue is shared, is a decision made by the NFL. Strategy has to discourage the reduction of revenue sharing because our team can't compete. NFL is sharing less revenue, which is something they have complete control over.

The NFL tries to transfer as much of the costs to the cities as possible.

Rosenraub re: relocation - there is a lease here. There would be a debate on whether City has violated it. No team can leave in that situation. Says the Chargers wouldn't be able to move in that situation because it would impact the NFL.

There has not been an independent analysis ever published showing that professional sports have an impact on a city's economy. Not statistically related. The spending for sports is impacted by the substitution effect - all the monies spent on sports are not being spent elsewhere, they are not new dollars. Super Bowl has some validity, but is overstated. The use of multipliers violates the basic

principles of the use of multipliers.

Want to see the alternatives before making decisions. Have to design our market and strategy to fit San Diego.

Played tape of McGrory saying that the ticket guarantee was a strategy to ensure the Chargers would stay in San Diego until 2020 unless severe financial hardship.

Patnoe - would a ballpark-like mixed use, redevelopment be good for the MV stadium area?
Rosentraub supported Ballpark because the Padres owners were making a significant contribution themselves to the project. It wasn't a redevelopment issue that he supported, it was the contribution from the owners that was unique.

The Chargers had the best and the brightest negotiating their lease so they should have to live with it.

Henderson - If Chargers were to give us the triggering notice, what type of document should they give to the City? *It is outlined in the contract. Have to have an independent assessment of the contract to determine whether they met the trigger. Audit would have to be very careful, cash versus accrual basis.*

Does Rosentraub have a study comparing ROI for all teams? *No, but thinks Chargers would come out near the top.*

Thinks the real Super Bowl economic impact is 10-12% of what the NFL says it is. Some of the revenue is retained.

Coffey - Has anyone used PSLs to help finance facilities? *Yes, a PSL is getting a fan to pay in advance for a winning team. Sales of PSLs haven't gone well when there is an existing team. Have to be careful. Don't want to set up a situation where the team doesn't have to perform to guarantee payment. If set up a PSL, can't get a refund if the team does poorly.*

All roads come back to us pre-supposing that the Chargers have a reason to trigger and can leave San Diego.

Watson - what is the recommendation of Rosentraub and Aguirre? *Hard to say until know where the trigger issue stands.*

A market assessment is key to determining what makes sense to do.

Roscoe - The cities that lost teams really worked hard to get teams back - why if no tangible benefit? *Sport has been important to society forever. Sport is important to society - it matters which is why cities want teams In other countries, teams aren't operated as cartels.*

Saathoff - any comments on cost of retrieving a franchise versus keeping one? *In Houston, the rodeo generates revenue that helped with their costs - unique.*

Henderson – The Task Force is in place because Chargers are attracted to the L.A. market. Would they choose L.A. if we offered a new stadium and the L.A. alternative was the Rose Bowl? *Larger market, so likely they would go but it would be a long time down the road.*

A team can be seized via imminent domain by local governments.

Barrett – There are three ways of calculating the salary calculation for the trigger: 1) the way the NFL calculates the cap, spreading a signing bonus over the term of the contract 2) the way the NFL Players Association union calculate; takes same cash payment over the year plus the committed bonus for that year. Signing bonus would be counted in the first year - NFL spreads a bonus over the term of the contract. 3) The way the lease defines the calculation, which is by the cash spent in any given year. Barrett has calculated that the Chargers probably could have triggered last year and may this year.

Watson - just because estimating that the Chargers might hit the trigger, would it still have to be verified? *Barrett - absolutely, ask for documents, audit, getting information is the next logical step.*

Watson - a good argument could be made that they haven't met the trigger and Chargers could argue that they have. There are different ways of looking at this, and would take a while to sort through everything. The contract is not one-sided .

ADJOURNMENT

The meeting was adjourned at approximately 10:20.

**The next scheduled meeting is: Thursday, November 7 @ 6:30
War Memorial Building, Balboa Park**

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Submitted by,

Libby Coalson
Staff Representative